Manitoba

Annual Report
1999 - 2000

Intergovernmental Affairs

The Manitoba
Water Services Board

100-07610/

MINISTER OF
INTERGOVERNMENTAL AFFAIRS

Room 301
Legislative Building
Winnipeg, Manitoba, CANADA
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August 28, 2000

His Honour
The Honourable Peter M. Liba, C.M.
Lieutenant Governor of the Province of Manitoba
235 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Your Honour:

It is my pleasure to present to you The Manitoba Water Services Board Annual Report for the period extending from April 1, 1999 to March 31, 2000. This report records the activities of the Board for that period.

Yours sincerely,

Jean Friesen

Jean Friesen
Minister

Manitoba

Intergovernmental Affairs

The Manitoba Water
Services Board

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August 28, 2000

The Honourable Jean Friesen
Minister of Intergovernmental Affairs
301 Legislative Building
Winnipeg MB R3C 0V8

Dear Minister:

I have the honour of presenting to you the Twenty-Eighth Annual Report of The Manitoba Water Services Board for the fiscal year ending March 31, 2000, together with the financial statements of the Board for the same period.

Yours respectfully,

W. Hodgins

Winston Hodgins
Chairman

The Manitoba Water Services Board

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Deputy Minister
Intergovernmental Affairs

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The Manitoba Water Services Board

The Manitoba Water Services Board (Board) was established in July 1972 under *The Manitoba Water Services Board Act* to assist in the provision of water and sewerage facilities for the residents of rural Manitoba. The Board replaced The Manitoba Water Supply Board, taking over all responsibilities of the former Board, owning and operating 38 water supply installations in the Province.

In August 1981, the head office of The Manitoba Water Services Board, formerly in Winnipeg, was transferred to 2022 Currie Boulevard, Brandon, Manitoba. The Board's primary mandate is the delivery of a Sewer and Water Program, which provides for the installation or upgrading of sewer and water facilities in Manitoba communities.

In 1984, the Board assumed the responsibility of delivering a Water Development Program, which provides for the construction of agricultural area pipelines and farm water sources, with the primary objective being to provide a dependable, sustainable water supply in rural Manitoba. The Board has also been involved, since 1990, in an agreement with the Government of Canada, called the Partnership Agreement on Municipal Water Infrastructure (PAMWI or Southern Development Initiative), to assist key centres in southern Manitoba strengthen opportunities for sustainable development. The PAMWI Program was completed in 1999-00.

In 1994, the Board assumed responsibility for managing the Conservation Districts Program which, through partnerships with participating municipalities, provides sustainable soil and water management programs in 11 Districts covering approximately 50% of agro Manitoba.

The Board, made up of four citizen members chaired by the Deputy Minister of Manitoba Intergovernmental Affairs1, reports to the Legislature through the Minister of Intergovernmental Affairs. The Board's activities are managed by a team headed by the General Manager.

The Board, under the authority of the Act, may enter into agreements with any organized area of the Province, including municipalities, local government districts, villages, towns and cities, excluding (a) the City of Winnipeg, (b) the areas under the jurisdiction of the Minister of Aboriginal and Northern Affairs, and (c) those areas of the Province under Federal Government jurisdiction.

Once an application for assistance or a resolution is received, the Board prioritizes the project and subject to availability of funds and approvals, makes the necessary physical and technical investigations and an offer (Agreement) is submitted to the municipality for the construction of new works, extensions and/or improvements to existing works. After the municipality has received the necessary Municipal Board approvals, the Agreement is executed and the Board enters into the necessary contracts for Engineering services and construction of the works.

1 The Deputy Minister of Intergovernmental Affairs is presently on secondment as the President and Chief Executive Officer of the Manitoba Lotteries Corporation.

Objectives

The Manitoba Water Services Board has the following specific objectives:

a) To encourage municipalities to assume responsibility of ownership, operating and maintenance of water treatment plants constructed prior to 1972.

b) To assist municipalities with the construction of all plants and works necessary for obtaining, collecting, storing, treating, purifying and transmitting water.

c) To assist municipalities in the transmission of water from a source of supply or a point of storage to a point of acceptance by the individual.

d) To assist municipalities with the construction of works for the collection of sewage.

e) To assist municipalities with the construction of works for the treatment and disposal of sewage.

f) To assist agricultural communities with the upgrading of water supply/treatment facilities and/or sewage treatment systems.

g) To provide assistance to municipalities to establish Conservation Districts to carry out programs that support provincial sustainable development and economic objectives in the areas of soil and water management, habitat enhancement and water quality.

Activities Carried Out To Meet The Objectives

Water Treatment Plants (Previously Constructed Works)

The Manitoba Water Services Board acquired 38 water treatment plants constructed under the authority of *The Manitoba Water Supply Board Act*.

To meet the objectives of the Board and at the request of the municipalities, the Board has transferred the following water treatment plants:

Hartney, Town	January 1, 1979
Altona, Gretna, Rhineland	March 31, 1987
Letellier, (Montcalm, R.M.)	March 31, 1987
Winkler, Town	January 1, 1989
Holland, (Victoria, R.M.)	December 1, 1991
Gilbert Plains, Town	April 1, 1992
Dominion City, (Franklin, R.M.)	July 1, 1993
St. Jean Baptiste, (Montcalm, R.M.)	December 31, 1993
Ste. Rose du Lac, Village	December 31, 1993
Ste. Agathe, (Ritchot, R.M.)	April 1, 1994
Hamiota, Town	January 1, 1998
Erickson, Town	January 1, 1998
Cartwright, Village	January 1, 1998
Deloraine, Town	April 1, 1998
St. Claude, Village	April 1, 1998
Kenton, (Woodworth, R.M.)	July 1, 1998
Angusville, (Silver Creek, R.M.)	January 1, 1999
Manitou, Town	April 1, 1999
Reston, (Pipestone, R.M.)	April 1, 1999
Russell, Town	April 1, 1999
Elie, (Cartier, R.M.)	June 1, 1999
Pilot Mound, Town	August 1, 1999

The Manitoba Water Services Board Act requires the Board to fix water rates for plants constructed prior to 1972 to recover costs pertaining to the services supplied. The rates set by the Board and approved by the Province are in accordance with tables maintained by the Board, which indicate a return of full capital costs and operating deficits based on a 35 year operating life.

At the beginning of the fiscal year the Board owned and operated 21 water treatment plants. During the year ending March 31, 2000 the Board had transferred 5, leaving 16 plants under the authority of the Board.

Of these, water rates for 2 plants, Inglis and Oak River, were at the maximum level of $7.78 per thousand Imperial gallons. Effective April 1, 2000 water rates remained unchanged at Baldur, Belmont, Benito, Bowsman, Ethelbert, Kelwood, McCreary, Minitonas, Notre Dame de Lourdes, Rossburn, Sandy Lake, Somerset and Winnipegosis. The water rate was increased at Strathclair from $7.38 to $7.51 per thousand Imperial gallons.

As the Previously Constructed Water Plants did not receive a Provincial grant during construction and as an inducement to the Municipality to assume the ownership, including operating and maintenance of these plants, The Manitoba Water Services Board has offered to assume the deficit as at the time of transfer.

Water Treatment Plants (Previously Constructed Works)

Sale of Water Town or Municipality	Consumption 1999-00	Actual Cost of Production per 1,000 I.G.	April 1/00 Selling Price 1,000 I.G.	Type of Treatment
Argyle, (R.M.)(Baldur)	6,035,510	5.400	5.30	B,C,E
Benito, Village	8,685,000	3.990	-	B,C,E
Blanshard, (R.M.)(Oak River)	2,605,080	13.440	7.78	C,E, GA
Bowsman, Village	5,703,000	5.660	6.30	E
Cartier, (R.M.)(Elie)	1,949,300	-	-	E
Ethelbert, Village	4,853,000	4.390	5.80	C,E
Harrison, (R.M.)(Sandy Lake)	6,143,932	3.940	5.00	C,E
McCreary, Village	14,528,000	1.890	2.00	B,E
Minitonas, Town	7,453,000	6.020	7.56	B,E, GB
Notre Dame de Lourdes, Village	18,798,400	4.580	3.30	C,E, GA
Pilot Mound, Town	5,130,000	-	-	A,B,E
Rosedale, (R.M.)(Kelwood)	2,296,000	8.550	7.64	E
Rossburn, Town	11,342,300	3.410	4.70	B,C,D,E
Shellmouth-Boulton, (R.M.)(Inglis)	3,037,200	10.500	7.78	C,E
Somerset, Village	11,203,800	2.580	3.18	C,E
Strathclair, (R.M.)(Strathclair)	6,146,851	8.770	7.51	C,D,E
Strathcona, (R.M.)(Belmont)	4,327,000	6.150	6.90	C,E
Winnipegosis, Village	10,385,317	7.600	7.00	A,B,E

Type of Treatment:

A - Lime soda ash softening, coagulation, sedimentation

B - Fluoridation

C - Iron and/or manganese removal

D - Zeolite softening

E - Chlorination

GA - Membrane, Nano

GB - Membrane, Reverse Osmosis

Sewer and Water Program

Water Treatment Plants (Newly Constructed)

Under *The Manitoba Water Services Board Act* the Board entered into seven cost sharing agreements with municipalities for the construction of water treatment plants and to operate the plants at full recovery of operating costs. As at April 1, 1999 the Board operated a plant at Elm Creek.

To meet the objectives of the Board and at the request of the municipalities, the Board has terminated the operating agreements for the following water treatment plants:

Rapid City, Town	October 1, 1997
Cranberry Portage, (Kelsey, R.M.)	January 1, 1998
Birch River, (Mountain, R.M.)	April 1, 1998
Grunthal, (Hanover, R.M.)	April 1, 1998
Miami, (Thompson, R.M.)	April 1, 1999
Swan Lake, (Lorne, R.M.)	April 1, 1999

Effective April 1, 2000 the water rate remained unchanged at the remaining plant operated by the Board.

Sale of Water Town or Municipality	Consumption 1999-00	Actual Cost of Production per 1,000 I.G.	April 1/00 Selling Price 1,000 I.G.	Type of Treatment
Grey, (R.M.)(Elm Creek)	8,580,866	5.750	5.75	C,E, GB

Type of Treatment:

C - Iron and/or manganese removal

E – Chlorination

GB - Membrane, Reverse Osmosis

Capital Construction

The Board enters into agreements with municipalities when requested and approved. Total project management, which includes entering into engineering consultant agreements, obtaining various approvals, entering into contracts and interim financing, are provided.

In 1997, the Manitoba Government revised the Grant Formula for The Manitoba Water Services Board as follows:

a) Projects where there are documented public health or environmental problems and/or have economic benefits to the Province and the municipality will receive a 50% Provincial grant.
b) Projects which are primarily of local improvement in nature will receive a 30% Provincial grant.

An additional grant to a maximum of 10% may be considered by the Board for accepted projects north of the 53rd parallel.

New agreements between The Manitoba Water Services Board and a municipality vary in length, however an agreement is long enough to ensure a stable period of operation of the works and to guarantee satisfactory water and sewer services to the municipality.

Water and sewer feasibility studies, design and construction resulted in a total expenditure of $16.495M, of which $10.777M was contributed by the Province. Project management and interim financing were provided to 27 substantially completed, 26 ongoing and 32 new projects during the year.

Sewer and Water Projects Substantially Completed during 1999-00 were:

Project	Work Description	Project Costs	Provincial Grants
Arborg (8), Town	Wastewater Stabilization Pond	$274,886	$137,443
Archie, R.M. (McAuley)	Water and Sewer Infrastructure Study	4,126	2,063
Boissevain (5), Town	Water Treatment Plant Design	106,019	53,009
Carberry (4), Town	Water Supply Upgrading	130,320	65,160
Carman (3), Town	Wastewater Stabilization Pond Design	61,166	30,583
Cartier (7), R.M.	Regional Infrastructure	10,800,000	4,440,757
Dauphin (6), R.M.	Water Supply and Distribution Study	14,560	7,280
Dunnottar, Village	Wastewater System Study	14,533	7,266
Elton (3), R.M. (Forrest)	Sewage Collection System Study	4,000	2,000
Headingley, R.M.	Water and Sewermains	6,360,008	2,409,377
Headingley (2), R.M.	Water and Sewermains Ph. 2	342,245	102,673
Lorne (3), R.M. (Swan Lake)	Water Treatment Plant Upgrading	73,726	36,863
Lynn Lake, Town	Water Supply and Treatment Study	32,895	16,447
Morden (2), Town	Water Treatment Plant	5,675,036	2,837,518

Sewer and Water Project Substantially Completed during 1999-00 cont'd:

Morden (3), Town	Water Supply Main and Booster Station	241,845	100,000
Pilot Mound (6), Town	Water Treatment Plant Upgrading	71,791	35,896
Portage la Prairie (9), R.M.	Water Supply Line	71,032	35,516
Portage la Prairie (11), City	Water Treatment Plant Study	126,673	63,337
Portage la Prairie (12), City	Reservoir Functional Design Study	59,919	29,960
Russell (5), Town	Water Treatment Plant Upgrading	93,992	46,996
Ritchot, R.M. (Ste. Agathe 3)	Water Treatment Plant Upgrading Ph. 1	4,592,754	1,208,000
Shellmouth-Boulton, R.M. (Inglis)	Water Supply System Upgrading	253,009	123,453
Siglunes, R.M. (Ashern 3)	Sewer Infrastructure Feasibility Study	12,737	6,369
Silver Creek (5), R.M. (Angusville)	Water Treatment Plant Upgrading	18,712	9,356
Steinbach (3), City	Water Storage Reservoir	2,887,177	1,350,000
Swan River (3), Town	Water Treatment Plant Upgrading	115,111	57,556
Thompson, R.M. (Miami)	Water Treatment Plant Upgrading	58,232	29,116
	Total	$32,496,504	$13,243,994

Sewer and Water Projects Under Design and/or Construction during 1999-00 were:

Project	Work Description	Agreement Estimate	Estimated Grants
Alexander (2), R.M.	Water and Sewer Infrastructure Study	$34,000	$17,000
Arborg (7), Town	Water and Sewer Extensions	645,000	204,983
Benito (5), Village	Water Treatment Plant Upgrading	101,000	50,500
Boissevain (6), Town	Water Treatment Plant	3,400,000	1,700,000
Carman (4), Town	Lagoon Upgrading	700,000	350,000
Cartier (9), R.M.	Water Treatment Plant Upgrading	165,000	82,500
Deloraine (4), Town	Water Treatment Plant Upgrading	400,000	200,000
Deloraine (5), Town	Water Treatment Plant Upgrading	300,000	150,000
Flin Flon (7), City	Sewage Treatment Plant Upgrading Ph. 1	3,000,000	1,780,000
Gimli (5), R.M.	Sewermain Replacement	1,856,000	673,830
Manitou (5), Town	Water Treatment Plant Upgrading	190,000	95,000
McCreary (6), Village	Water Treatment Plant Upgrading	140,000	70,000
Minitonas (7), Town	Water and Sewer Infrastructure Study	34,000	17,000

Sewer and Water Projects Under Design and/or Construction during 1999-00 cont'd:

Pilot Mound (7), Town	Water Treatment Plant Upgrading	65,000	32,500
Pipestone, R.M. (Reston)	Water Treatment Plant Upgrading	110,000	55,000
Roblin (5), Town	Watermain Replacement	160,000	48,000
Riverton (4), Village	Lagoon Upgrading	100,000	50,000
Rivers (2), Town	Sewage Lagoon Study	32,000	16,000
Rosedale (3), R.M. (Kelwood)	Water Treatment Plant Upgrading	60,000	30,000
Rossburn (8), Town	Water Treatment Plant Upgrading	135,000	67,500
Ste. Rose du Lac (8), Town	Water Treatment Plant Upgrading	400,000	200,000
Souris (9), Town	Water Quality Study	12,000	6,000
Taché, R.M. (Lorette 3)	Wastewater Stabilization Pond	1,700,000	722,000
The Pas, Town	Sewage Treatment Plant Upgrading	4,000,000	678,602
Thompson (2), R.M. (Miami)	Water Treatment Plant Upgrading	20,000	10,000
Winnipegosis (7), Village	Water Treatment Plant Upgrading	38,000	19,000
	Total	$17,797,000	$7,325,415

Sewer and Water Construction Agreements Signed during 1999-00 were:

Project	Date Agreement Signed	Estimated Capital Cost of Project
Alexander (2), R.M.	August 10, 1999	$34,000
Archie, R.M.	November 18, 1999	10,000
Arborg (8), Town	May 4, 1999	400,000
Benito (5), Village	January 11, 2000	101,000
Boissevain (6), Town	May 4, 1999	3,400,000
Carberry (4), Town	August 5, 1999	110,000
Carman (4), Town	May 4, 1999	700,000
Cartier (9), R.M. (Elie and St. Eustache)	July 6, 1999	165,000
Dauphin (6), R.M.	January 12, 2000	10,000
Deloraine (5), Town	January 11, 2000	300,000
Elton (3), R.M.	November 11, 1999	4,000
Flin Flon (7), City	May 4, 1999	3,000,000

Sewer and Water Construction Agreements Signed during 1999-00 cont'd:

Grey (2), R.M. (Elm Creek)	May 13, 1999	130,000
Headingley (2), R.M.	August 5, 1999	440,000
Lorne (3), R.M. (Swan Lake)	May 4, 1999	94,000
Manitou (5), Town	December 6, 1999	190,000
McCreary (8), Village	December 23, 1999	140,000
Minitonas (7), Town	January 17, 2000	34,000
Morden (3), Town	July 12, 1999	350,000
Pilot Mound (7), Town	January 31, 2000	65,000
Pipestone, R.M. (Reston)	May 30, 1999	110,000
Portage la Prairie (11), City	July 12, 1999	120,000
Portage la Prairie (12), City	July 12, 1999	50,000
Riverton (4), Village	August 5, 1999	100,000
Roblin (5), Town	June 3, 1999	160,000
Rosedale (3), R.M. (Kelwood)	January 11, 2000	60,000
Rossburn (8), Town	December 6, 1999	135,000
Russell (5), Town	June 3, 1999	95,000
Silver Creek (5), R.M. (Angusville)	June 8, 1999	20,000
Ste. Rose du Lac (8), Town	June 8, 1999	400,000
Taché, R.M. (Lorette 3)	February 11, 2000	1,700,000
The Pas (4), Town	August 10, 1999	1,500,000
	Total	$14,127,000

Public Private Partnership (3P)

In 1995, the Board received approval to develop the Cartier Regional Water Supply System (Cartier Regional) as a Public Private Partnership. A Request for Qualification was advertised in 1996. Seven proposals were received and evaluated. Four short listed were requested to submit a Request for Proposal in 1997.

The Cartier Regional consists of the building, ownership, operation and transfer of a water system for the residents of the Municipalities of Cartier, Headingley, Portage la Prairie and St. Francois Xavier. After a detailed evaluation, the Board and the Municipalities concluded an agreement in May 1998 for a total estimated cost of $10.78M ($5.39M grant). The system was operational in June 1999.

Water Development Program

Under the Water Development Program, various activities are handled by The Manitoba Water Services Board and supported by Provincial grants. The Board, when requested, enters into agreements with municipalities and non-profit water utilities (Water Districts) for projects under this Program. Total project management, which includes entering into engineering consultant agreements, obtaining various approvals, entering into contracts and interim financing are provided. The Board provides a 33 1/3% grant on all eligible costs. Details on the individual activities are as follows.

Dugout Filling

The Board provides technical assistance and rents pumping equipment and pipe to farmers to pump water to fill dugouts for agricultural use. The equipment rental charge is $500 for filling normal sized dugouts with a pumping distance up to 1¼ miles. An additional charge of $200 is assessed for each additional 1¼ miles of pipe required. This Program is self-sustainable.

The Board carried out 36 individual dugout filling activities in 1999-00.

Capital Construction

Farm Water Source

(a) **On-Farm Water Services**

This Program assists individual farmers whose situations do not qualify for Prairie Farm Rehabilitation Administration (PFRA) assistance to develop satisfactory off-farmstead water sources. Service is provided through in-field calls and consultation, water purification and treatment and financial assistance. The rebate is to a maximum of $2,000 on a one time only per farmstead basis.

To be eligible for assistance clients must be bona fide farmers; the water source must be located off the farmstead; and the system installations must involve abnormal cost in transporting water from the source to the point of use of the first water outlet.

The Board responded to 3,002 requests for technical assistance and provided grants totalling $126,096 to 63 individual farmers.

b) **Irrigation**

The Board, in cooperation with Manitoba Agriculture, extends technical assistance to farmers in the planning stages of preparing soil and water analysis studies. This serves to ensure that all irrigation projects are technically feasible. The rebate is to a maximum of $2,000 on all eligible costs per farmstead.

The Board provided grants totalling $6,000 to 3 individual farmsteads.

Community Water Source

This activity assists municipalities to identify and develop water sources to serve community and farm needs. Municipalities apply as proposed owners/operators or on behalf of local water cooperatives.

Sixteen municipalities received rebates totalling $81,792 for the development of 17 water sources and 2 Hutterite Colonies received rebates totalling $70,152. In addition, the Board provided a grant of $2,761 to a water cooperative for the development of 1 water source. Project management and interim financing were provided to four substantially completed projects during the year.

Details of agreements are shown in the following tables.

Agricultural Area Pipeline

Through a cooperative Program between the Board and PFRA, assistance is provided to municipalities or to incorporated groups sponsored by a municipality, to install pipelines for transporting water from a reliable supply to a water short area. Project management, technical and financial support are shared by the Board and PFRA. Under this activity, 2 Hutterite Colonies were provide with rebates of $44,868 and 7 municipalities received rebates of $233,313.

The Board also provided grants totalling $1,339,835, under agreements, to 12 municipalities in 1999-00. Project management and interim financing were provided to 11 substantially completed and 1 ongoing project during the year. Four new agreements were entered during the year.

Details of agreements are shown in the following tables.

Community Sewer and Water

This activity assists smaller unincorporated rural communities to install sewer and water systems. Municipalities apply to the Board for technical and financial assistance.

Rebates totalling $314,528 were provided to 11 Hutterite Colonies and 3 municipalities received rebates totalling $49,024 in 1999-00.

Water Development Projects Substantially Completed during 1999-00 were:

Project	Work Description	Project Costs	Provincial Grants
Cartier (6), R.M.	Water Supply Pipeline	$940,432	$313,477
Elton (2), R.M.	Test Drilling for Community Water Source	1,513	504
Langford, R.M.	Water Supply Pipeline	1,164,734	339,245
Macdonald (6), R.M.	Water Supply Pipeline	1,006,661	335,554

Water Development Projects Substantially Completed during 1999-00 cont'd:

Portage la Prairie (10), R.M.	Water Supply Pipeline	643,800	214,600
Rossburn (6), R.M.	Water Supply Source	14,152	4,717
Rossburn (7), R.M.	Water Supply Source	17,316	5,772
Stanley (3), R.M.	Water Supply Pipeline	489,791	163,264
Victoria, R.M.	Water Supply Pipeline	518,423	158,808
Whitemouth (3), R.M.	Water Supply Pipeline	264,974	88,324
Winchester, R.M.	Dugout Water Supply Source	17,518	5,839
	Total	$5,079,314	$1,630,104

Water Development Projects Ongoing during 1999-00 were:

Project	Work Description	Agreement Estimate	Estimated Grants
Grandview (8), R.M.	Water Supply Pipeline	$1,800,000	$600,000
	Total	$1,800,000	$600,000

Water Development Construction Agreements Signed during 1999-00 were:

Project	Date Agreement Signed	Estimated Capital Cost of Project
Grandview (8), R.M.	April 28, 1999	$1,800,000
Langford, R.M.	April 4, 1999	1,366,000
Portage la Prairie (10), R.M.	July 7, 1999	650,000
Stanley (3), R.M.	July 6, 2000	651,000
	Total	$4,467,000

Partnership Agreement on Municipal Water Infrastructure (PAMWI)

A major agreement between the Government of Canada and Manitoba was entered into in October 1990 to help key centres in southern Manitoba strengthen opportunities for sustainable development. The agreement enables eligible communities to access technical and financial assistance to improve water supplies and wastewater disposal facilities.

A total amount of $90.0M has been identified to be cost-shared equally between three parties. Tri-party agreements were initially signed with the Government of Canada, the Province of Manitoba and the communities of Altona, Brandon, Dauphin, Morden, Portage la Prairie, Selkirk, Steinbach, Teulon and Winkler. In 1993-94, the PAMWI Master Agreement was amended to include 14 new communities - Arborg, Beausejour, Carberry, Carman, Gimli, Gladstone, Grunthal, Killarney, Neepawa, Notre Dame de Lourdes, Roblin, St. Claude, Virden and Westbourne, of which only 11 Centre Agreements were signed. In 1994-95, the Government of Canada, through budget reduction, unilaterally reduced the total amount to $83.0M.

Project management is being handled by the Government of Canada (Prairie Farm Rehabilitation Administration). All payments are made initially by Prairie Farm Rehabilitation Administration (PFRA), who in turn bill and collect the Provincial and Municipal share of costs. The Manitoba Water Services Board is a member of the Technical Advisory Committee on all PAMWI Projects, to assist in selection of consultants, review of engineering plans and making recommendations to the Centre Implementation Committee. The General Manager is a member of each Centre Implementation Committee and the Program Management Committee.

The works commenced during the 1991-92 fiscal year. The Province has contributed $26.7M to 1997-98. For 1998-99 the Province contributed $0.8M. All works under the agreement were completed in 1998-99. Final reconciliation of costs was carried out in 1999-00.

Conservation Districts Program

The Conservation Districts (CD) Program operates under the authority of *The Conservation Districts Act*. The objectives of the Act are to provide for the conservation, control and prudent use of water and land resources. In 1994-95, the day to day management of the Program was placed under the General Manager of The Manitoba Water Services Board. The CD Commission, chaired by the Deputy Minister of Intergovernmental Affairs, is responsible for providing the Minister with advice and guidance on the CD programs and budgets.

A comprehensive sustainable approach to soil and water management within agro Manitoba will be fostered and developed. Many Districts will also carry out programs that support eco tourism, historic resources and wildlife habitat enhancement. Local involvement, which is critical to effective project implementation, will continue to be a requirement and has proven integral to program success. There are presently 11 CDs covering approximately 50% of agro Manitoba.

The Province provides grants of up to 75% of the cost of the CD programs. In 1999-00, the total grants amounted to $2.58M. Conservation Districts and the year each came into being are as follows and details of each are provided in the Conservation Districts of Manitoba Annual Report.

Conservation Districts	Year Established
Alonsa	1978
Cooks Creek	1979
Intermountain	1997
Kelsey	1999
Little Saskatchewan	1999
Pembina Valley	1990
Turtle Mountain	1973
Turtle River Watershed	1975
Upper Assiniboine River	1996
West Souris River	1995
Whitemud Watershed	1972

The Manitoba Water Services Board

Management Report

The accompanying financial statements are the responsibility of management and have been prepared in conformity with the accounting policies noted in the financial statements. The statements are examined by the Provincial Auditor of the Province of Manitoba, whose opinion is included herein.

To fulfill this responsibility, management maintains internal control systems to provide reasonable assurance that the accounts and records accurately reflect all transactions, and that appropriate policies and procedures are established and respected.

The Provincial Auditor has free access to the Board of Directors, with and without management present, to discuss the results of their audit and the quality of financial reporting of the Board.

R. Menon, P.Eng.
General Manager

C. Brigden
Financial Officer

July 10, 2000

Office of the Provincial Auditor

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba

We have audited the balance sheet of The Manitoba Water Services Board as at March 31, 2000 and the statements of operating revenues and expenditures and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

James Martin

James M. Martin, CA
for the Provincial Auditor

Winnipeg, Manitoba
July 10, 2000

The Manitoba Water Services Board **Exhibit A**

Balance Sheet

as at March 31, 2000

ASSETS	2000	1999
Current assets		
Cash on deposit with the Minister of Finance	$ 240,505	$ 4,955,111
Accounts receivable	3,325,669	1,904,421
Construction in progress (Note 3)	1,695,525	4,729,659
Accrued interest	70,944	101,677
Current portion of debentures receivable	368,127	463,782
	5,700,770	12,154,650
Debentures receivable from municipalities (Note 4)	1,426,553	1,794,680
Capital assets (Note 5)	280,075	372,792
	$ 7,407,398	$ 14,322,122

LIABILITIES	2000	1999
Current liabilities		
Accounts payable and accrued charges	$ 1,034,148	$ 4,405,297
Advances from the Province of Manitoba payable on demand	4,500,000	6,700,000
Current portion of long-term debt	90,791	396,988
	5,624,939	11,502,285
Long-term debt (Note 6)		
Advances from the Province of Manitoba	750,838	841,629
Funds retained (Note 7)	931,621	1,878,208
Interest adjustment fund account (Note 8)	100,000	100,000
	1,031,621	1,978,208
	$ 7,407,398	$ 14,322,122

APPROVED BY THE BOARD

W Hodgins

The Manitoba Water Services Board **Exhibit B**

Statement of Operating Revenues and Expenditures

for the year ended March 31, 2000

	2000	1999
Revenues		
Sale of water	$ 1,495,300	$ 1,250,139
Administrative expenses paid by the Province of Manitoba (Note 9)	1,854,395	1,699,195
Interest	309,945	353,085
Total revenues	3,659,640	3,302,419
Expenditures		
Direct expenditures for water supply plants		
Interest - Advances payable on demand	396,231	344,405
- Long-term debt	103,308	163,805
Less: Interest allocated to new construction	(355,882)	(351,512)
	143,657	156,698
Chemicals	97,238	246,976
Amortization	80,448	158,249
Heat, telephone, light and power	153,702	208,568
Professional services	1,201,125	26,960
Salaries and benefits	342,566	522,866
Repairs and maintenance	315,686	477,603
Administrative expenses (Note 9)	1,854,395	1,699,195
Total expenditures	4,188,817	3,497,115
Excess (deficiency) of operating revenues over expenditures	(529,177)	(194,696)
Funds retained, beginning of year	1,878,208	2,085,735
Plant surplus transferred to municipalities on disposition	(417,410)	(12,831)
Funds retained, end of year (Note 7)	$ 931,621	$ 1,878,208

The Manitoba Water Services Board **Exhibit C**

Statement of Cash Flows

for the year ended March 31, 2000

	2000	1999
Cash provided by (used for):		
Operating activities		
Excess (deficiency) of operating revenues over expenditures	$ (529,177)	$ (194,696)
Expenditure not involving cash - amortization	80,448	158,249
	(448,729)	(36,447)
Change in accounts receivable	(1,421,248)	(1,444,774)
Change in accounts payable and accrued charges	(3,371,149)	3,096,745
Change in accrued interest	30,733	12,435
Cash provided by (used for) operating activities	(5,210,393)	1,627,959
Financing activities		
Advances received	8,200,000	7,700,000
Advances repaid	(10,796,988)	(3,840,033)
Debentures receivable principal recoveries	463,782	657,897
Cash provided by (used for) financing activities	(2,133,206)	4,517,864
Investing activities		
New construction costs	(20,182,009)	(34,148,578)
Funding recovered from:		
Province of Manitoba	12,073,005	13,037,542
Municipalities	11,143,138	18,777,846
Decrease (increase) in construction in progress	3,034,134	(2,333,190)
Capital asset additions	12,269	6,535
Plant surplus transferred to municipalities on disposition	(417,410)	(12,831)
Cash provided by (used for) investing activities	2,628,993	(2,339,486)
Increase (Decrease) in cash	(4,714,606)	3,806,337
Cash, beginning of year	4,955,111	1,148,774
Cash, end of year	$ 240,505	$ 4,955,111

Interest paid during the year ended March 31 amounted to $516,808 (1999 - $539,988)

1. NATURE OF ORGANIZATION

The Manitoba Water Services Board was established in July 1972 under The Manitoba Water Services Board Act to assist in the provision of water and sewage facilities to the residents of rural Manitoba. The Board owns and operates water supply plants in the Province, installs or upgrades water and sewage facilities in Manitoba communities, constructs area water pipelines for agricultural and drought proofing purposes and develops farm water sources.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared using generally accepted accounting principles. Operating results of all water supply plants operated by the Board are reflected on an aggregate basis in the Statement of Operating Revenues and Expenditures. Separate equity accounts are maintained for each plant operated by the Board (Note 7).

(b) Capital assets

Capital assets represent water supply plants owned by the Board. They are recorded at cost and amortization is calculated on a straight-line basis over the following terms:

Plants constructed prior to January 1, 1972	equipment	18 years
	buildings	35 years
Plants constructed after January 1, 1972	equipment	20 years
	buildings	20 years

(c) Revenue recognition

Revenue from sale of water is recognized in the period when consumed by the town or municipality.

(d) Administrative expenses paid by the Province of Manitoba

Administrative expenses are paid by the Province of Manitoba on behalf of the Board and recorded at fair value in the financial statements.

(e) Pension costs and obligations

The Board's employees are eligible for membership in the provincially-operated Civil Service Superannuation Plan. The pension liability for Board employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, no provision is recorded in the financial statements related to the effects of participation in the pension plan by the Board and its employees.

3. CONSTRUCTION IN PROGRESS

	2000	1999
Balance, beginning of year	$ 4,729,659	$ 2,396,469
New construction costs	20,182,009	34,148,578
	24,911,668	36,545,047
Funding recovered from:		
Municipalities	11,143,138	18,777,846
Province of Manitoba	12,073,005	13,037,542
	23,216,143	31,815,388
Balance, end of year	$ 1,695,525	$ 4,729,659

4. DEBENTURES RECEIVABLE FROM MUNICIPALITIES

Prior to April 1985, the Board financed capital construction costs through long-term debt at fixed interest rates with the Province of Manitoba and the Canada Mortgage and Housing Corporation. Municipalities financed the municipal share of capital construction costs by issuing debentures to the Board. The debentures were issued in amounts and at fixed interest rates sufficient to discharge the municipalities' share of the Board's corresponding long-term debt financing. Since April 1985, the Board has recovered the municipal share of capital construction costs on a current basis.

Schedule of Debentures Receivable from Municipalities:

Year of Maturity	Annual Payment Date	Interest Rate(%)	2000	1999
1999	October 31	11.250	$ -	$ 134,244
1999	December 31	12.750	-	2,129
2000	October 31	13.750	89,788	168,724
Subtotal (carried forward)			$ 89,788	$ 305,097

4. DEBENTURES RECEIVABLE FROM MUNICIPALITIES (continued)

Year of Maturity	Annual Payment Date	Interest Rate(%)	2000	1999
Subtotal (brought forward)			$ 89,788	$ 305,097
2000	December 31	12.750	2,195	4,142
2001	December 31	13.125	20,280	28,691
2002	December 31	13.125	136,028	171,281
2003	December 31	12.625	196,913	233,163
2004	December 31	12.750	704,468	801,366
2005	October 31	10.950	350,948	390,972
2006	October 31	9.800	114,995	126,103
2006	October 31	8.000	179,065	197,647
Total debentures receivable			1,794,680	2,258,462
Less: current portion			368,127	463,782
Debentures receivable beyond one year			$ 1,426,553	$ 1,794,680

5. CAPITAL ASSETS

	2000	1999
Land and easements	$ 28,955	$ 40,893
Buildings	1,619,662	2,378,052
Less accumulated amortization	1,368,542	2,046,153
	251,120	331,899
Equipment	546,005	773,928
Less accumulated amortization	546,005	773,928
Total capital assets	$ 280,075	$ 372,792

6. LONG-TERM DEBT

Year of Maturity	Annual Payment Date	Interest Rate(%)	2000	1999
Advances from the Province of Manitoba:				
1999	June 2	10.010	$ -	$ 314,177
2004	March 31	9.250	13,786	16,535
2006	October 31	9.800	139,923	153,438
2007	March 31	9.625	664,598	729,240
2007	October 31	9.400	23,322	25,227
Total advances payable			841,629	1,238,617
Less: current portion			90,791	396,988
Advances payable beyond one year			$ 750,838	$ 841,629

The Board has the right at any time to repay in whole or in part the advances from the Province of Manitoba.

The aggregate amount of payments required in each of the next five years to meet debt retirement provisions are:

2001	$ 171,938
2002	$ 171,938
2003	$ 171,938
2004	$ 171,938
2005 and beyond	$ 153,877

7. FUNDS RETAINED

Funds retained consist of accumulated excess revenues over expenditures pertaining to the water supply plants owned and operated by the Board for the benefit of municipalities and pertaining to plants operated by the Board under agreements with municipalities. Separate equity accounts are maintained for each plant operated by the Board. Municipalities are responsible for any deficit balances and are given credit for surplus balances whenever plant operating responsibilities are transferred to the municipalities.

Funds retained also include the gain on the sale of the Red River Regional Water Supply System.

7. **FUNDS RETAINED (continued)**

Funds retained consist of the following:

	No.	2000 Amount	No.	1999 Amount
Plants owned by the Board				
Plants with a deficit	4	$ (256,179)	2	$ (93,255)
Plants with a surplus	13	832,100	19	1,572,617
	17	575,921	21	1,479,362
Plants owned by Municipalities				
Plants with a surplus	1	28,346	3	56,780
Total funds retained, water supply plants	18	604,267	24	1,536,142
Gain on Sale of the Red River Regional Water Supply System		327,354		342,066
Total funds retained		$ 931,621		$ 1,878,208

Subsequent to year end, two Water Treatment Plants have been transferred to the Village/Municipality. Surplus funds of approximately $76,400 will be released from funds retained during 2000/2001.

8. **INTEREST ADJUSTMENT FUND ACCOUNT**

The Board allocates interest costs to construction projects and to the operations of water supply plants at a rate comparable to the Board's cost of borrowing. The interest allocated and the actual net interest cost incurred by the Board are recorded in the Interest Adjustment Fund Account. Board policy is to maintain a balance of $100,000 in the Interest Adjustment Fund Account to absorb any shortfall in the allocation of actual net interest costs for the year. Interest costs were fully allocated for both the current and the preceding year.

9. ADMINISTRATIVE EXPENSES PAID BY THE PROVINCE OF MANITOBA

Administrative expenses paid by the Province of Manitoba and included in expenditures are as follows:

	2000	1999
Professional services	$ 15,210	$ 14,003
Salaries and benefits	1,481,055	1,379,832
Telephone and utilities	26,736	27,087
Travel	14,394	25,905
Rental for office premises	134,349	121,095
Other administrative	182,651	131,273
	$ 1,854,395	$ 1,699,195

10. COMMITMENTS

	2000	1999
The Board has commitments as follows:		
Signed agreements and offers for construction of sewer and water systems for municipalities and cooperatives.	$ 22,881,057	$ 26,826,700
These commitments are expected to be funded as follows:		
Subsidization of construction costs - Province of Manitoba	$ 8,995,428	$ 12,417,000
Recovery of construction costs - Municipalities and Cooperatives	13,885,629	14,409,700
	$ 22,881,057	$ 26,826,700

The Board recovers construction costs on a current basis from municipalities and cooperatives through funds provided by the Province of Manitoba under The Loan Act. As at March 31, 2000, the Province had unused authority of $44,299,900 under The Loan Act, 1999 to provide this financing to the Board for the construction of municipal sewer and water facilities on behalf of municipalities and cooperatives.

11. RELATED PARTY TRANSACTIONS

The Board is related in terms of common ownership to all Province of Manitoba created Departments, Agencies and Crown Corporations. The Board enters into transactions with these entities in the normal course of business.

12. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

13. FINANCIAL INSTRUMENTS

Fair Value

The carrying amounts of cash, accounts receivable, accrued interest, the current portion of debentures receivable, accounts payable, accrued charges, advances from the Province of Manitoba payable on demand, and the current portion of long term debt reported on the balance sheet approximate their fair market value due to their short-term nature.

Debentures receivable and long-term debt are estimated using public quotations or discounted cash flow analysis, based on current corresponding borrowing rates for similar types of borrowing arrangements. They are not materially different from their carrying value.

Credit Risk

The Board, in the normal course of business is exposed to credit risk from the rural municipalities it serves. The Board's financial assets that are exposed to credit risk consist primarily of accounts receivable and debentures receivable.

Accounts receivable are primarily short-term receivables from rural municipalities. Debentures receivable are long-term receivables from rural municipalities which have fixed interest rates and repayment terms. Credit evaluations are done for each rural municipality.

Interest Rates

The Board is not exposed to significant interest rate risk due to the short term nature of the current asset and current liabilities, and the fact that its debentures receivable and long-term debt are at fixed interest rates.